

Tennessee Student Assistance Corporation  
Tennessee Education Lottery Scholarship Programs

Presentation to

Fiscal Review Committee  
August 23, 2006

Current Programs (2006-07)

- \$3,800 HOPE Scholarship to entering college students with ACT of 21+ or unweighted high school GPA of 3.0+ (\$1,900 at 2-year colleges)
- \$3,800 HOPE Scholarship to non-traditional students with age > 25 and AGI < \$36,000 who attempt 24 college credit hours with GPA > 2.75
- \$1,500 supplemental "Aspire" award to low-income students (AGI < \$36,000)
- \$1,000 supplemental "GAMS" award to high-achieving students (ACT of 29+ and high school weighted GPA of 3.75+)
- \$2,650 HOPE Access Grant to low-income (AGI < \$36,000) entering college students who do not qualify for HOPE but who have an ACT of 18+ and an unweighted high school GPA of 2.75+ (\$1,700 at 2-year colleges)
- \$1,500 Wilder-Naifeh Technical Skills Grant to all Tennessee residents at Tennessee Technology Centers (no income or academic restrictions)
- \$600 Dual Enrollment Grant to high school students achieving a 2.75+ GPA in dual enrollment (high school and college) coursework
- HOPE Foster Child Tuition Grant to students who are HOPE Scholarship recipients and are certified eligible by the Department of Children Services. The grant is the amount of the student's remaining cost after applying other types of financial aid towards the cost of attendance, with the total grant not to exceed the cost of tuition and mandatory fees.

New Program under Development (Summer 2007)

- \$2,000 Math and Science Teacher Loan Forgiveness Program, maximum 5 years, loan is forgiven by working 2 years for each year of funding

Activity Level (details in Attachments 1 and 2)

<u>Year</u>	<u>Students</u>	<u>\$</u>	<u>Eligible</u>	<u>Data Source</u>
2004-05	40,000	\$ 93 million	Frosh/Soph	Actual
2005-06	56,000	\$136 million	Frosh/Soph/Jr	Actual
2006-07	65,000	\$201 million	Frosh/Soph/Jr/Sr	Estimate

### Tennessee Education Lottery Reserve Account

In its early years, lottery revenue has far exceeded lottery expenditures for education. This reflects the fact that in its first year (2004-05) only college freshmen and sophomores were eligible for the HOPE Scholarship. College juniors were added in 2005-06 and seniors in 2006-07.

Until student participation reaches steady-state levels, expenditures will continue to lag revenue, and year-end surpluses will be added to the Tennessee Education Lottery Reserve Account. Preliminary figures for 2005-06 indicate a June 30, 2006 reserve balance of \$323 million. This is in addition to \$50 million maintained in a general shortfall reserve. (Attachment 3)

The large amount of money in this reserve probably fueled this year's expansion of the Lottery Scholarship Program, including increasing the basic award from \$3,300 to \$3,800, and creating the Math and Science Teacher Loan Forgiveness Program.

Because the reserve is "one-time" money, caution should be exercised before using it to fund recurring expenditures. The Tennessee Higher Education Commission, in conjunction with leadership from the higher education community, has proposed keeping the corpus of the reserve intact and using each year's interest income to expand the need-based Aspire supplement to the HOPE Scholarship.

### Operational Challenge

The chief operational challenge faced by the Tennessee Education Lottery Scholarship Program is managing change. Because the program is only three years old, and each of these three years has brought with it a number of legislative changes, the program lacks the history and stability necessary to forecast future activity levels.

Additionally, the timing of legislative changes (retroactive rather than prospective) often causes an administrative burden at the state and institutional levels, and confuses students. In 2006-07, the majority of students had already been awarded their lottery scholarships when legislative changes made it necessary to re-award all of them.

TSAC and the leadership of the Tennessee Association of Student Financial Aid Administrators have recommended that when legislation changes the lottery scholarship program, the changes should apply to the following year's financial aid applications, rather than the applications which are currently underway.

**Tennessee Education Lottery Scholarship Program**

**Summary Report**

**Program History and 2006-07 Projections**

	2004-2005		2005-2006		2006-2007		2006-2007	
	Actual Recipients		Actual Recipients		Eligible Through 7/31/06		Projection	
	Students	\$	Students	\$	Students	\$	Students	\$
<u>HOPE (With GAMS and ASPIRE)</u>	31,272	\$86,650,189	40,275	\$126,345,913	51,486	\$206,442,350	46,925	\$187,022,485
HOPE Foster Care Grant	0	\$0	30	\$88,245	0	\$0	58	\$170,607
HOPE Access Grant	108	\$152,560	265	\$490,294	464	\$1,104,200	284	\$673,105
Wilder-Naifeh Technical Skills	8,815	\$6,613,273	10,023	\$7,860,163	9,459	\$14,126,500	11,426	\$9,274,992
Dual Enrollment Grant	0	\$0	5,465	\$2,060,356	0	\$0	5,542	2,089,201
<u>Math &amp; Science Teachers</u>	0	\$0	0	\$0	0	\$0	769	\$1,538,460
<b>ALL PROGRAMS</b>	<b>40,195</b>	<b>\$93,416,022</b>	<b>56,058</b>	<b>\$136,844,971</b>	<b>61,409</b>	<b>\$221,673,050</b>	<b>65,003</b>	<b>\$200,768,850</b>

Attachment 1

**Tennessee Education Lottery Scholarship Program  
Summary Report  
2006-2007 TELS Summary**

	2004-2005		2005-2006		2006-2007	
	Actual Recipients		Actual Recipients		Eligible Through 7/31/06	
	Students	\$	Students	\$	Students	\$
<b>HOPE (With GAMS and ASPIRE)</b>						
Independent / Four-Years	5,318	\$16,715,547	7,134	\$25,376,393	10,159	\$43,827,050
Independent / Two-Years	110	182,750	77	135,938	114	279,600
Private/Business Trade	0	0	48	146,330	56	232,800
University of Tennessee System	8,041	24,724,303	11,437	37,808,755	15,133	63,881,000
Board of Regents / Four-Years	11,231	34,715,484	14,518	50,135,977	19,083	81,305,500
State Tech/Community Colleges	6,572	10,312,105	7,061	12,742,521	6,941	16,916,400
<b>TOTAL</b>	<b>31,272</b>	<b>\$86,650,189</b>	<b>40,275</b>	<b>\$126,345,913</b>	<b>51,486</b>	<b>\$206,442,350</b>
<b>HOPE Foster Care Grant</b>						
University of Tennessee System	0	\$0	6	\$16,970	0	\$0
Board of Regents / Four-Years	0	0	16	51,739	0	0
State Tech/Community Colleges	0	0	8	19,536	0	0
<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>30</b>	<b>\$88,245</b>	<b>0</b>	<b>\$0</b>
<b>HOPE Access Grant</b>						
Independent / Four-Years	12	\$21,000	25	\$54,000	50	\$132,500
Independent / Two-Years	1	1,250	1	1,575	2	3,400
Private/Business Trade	0	0	0	0	0	0
University of Tennessee System	16	24,779	48	95,122	72	190,800
Board of Regents / Four-Years	37	61,000	124	257,100	210	556,500
State Tech/Community Colleges	42	44,531	67	82,497	130	221,000
<b>TOTAL</b>	<b>108</b>	<b>\$152,560</b>	<b>265</b>	<b>\$490,294</b>	<b>464</b>	<b>\$1,104,200</b>
<b>Wilder-Naifeh Technical Skills</b>	<b>8,815</b>	<b>\$6,613,273</b>	<b>10,023</b>	<b>\$7,860,163</b>	<b>9,459</b>	<b>\$14,126,500</b>
<b>Dual Enrollment Grant</b>						
Independent / Four-Years	0	\$0	388	\$162,610	0	\$0
Independent / Two-Years	0	0	52	24,080	0	0
Private/Business Trade	0	0	0	0	0	0
University of Tennessee System	0	0	574	244,800	0	0
Board of Regents / Four-Years	0	0	97	48,757	0	0
State Tech/Community Colleges	0	0	3,825	1,400,359	0	0
Technology Centers	0	0	529	179,750	0	0
<b>TOTAL</b>	<b>0</b>	<b>\$0</b>	<b>5,465</b>	<b>\$2,060,356</b>	<b>0</b>	<b>\$0</b>
<b>ALL PROGRAMS</b>						
Independent / Four-Years	5,330	\$16,736,547	7,547	\$25,593,003	10,209	\$43,959,550
Independent / Two-Years	111	184,000	130	161,593	116	283,000
Private/Business Trade	0	0	48	146,330	56	232,800
University of Tennessee System	8,057	24,749,082	12,065	38,165,647	15,205	64,071,800
Board of Regents / Four-Years	11,268	34,776,484	14,755	50,493,573	19,293	81,862,000
State Tech/Community Colleges	6,614	10,356,636	10,961	14,244,912	7,071	17,137,400
Technology Centers	8,815	6,613,273	10,552	8,039,913	9,459	14,126,500
<b>GRAND TOTAL</b>	<b>40,195</b>	<b>\$93,416,022</b>	<b>56,058</b>	<b>\$136,844,971</b>	<b>61,409</b>	<b>\$221,673,050</b>

**Tennessee Education Lottery Reserve Accounts**  
**Unaudited Schedule of Revenues, Expenditures, and Changes in Fund Balance (Note 1)**  
**For the Fiscal Year Ended June 30, 2006 with Comparative Totals for Previous Years**

**Attachment 3**

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**For the Fiscal Year Ended June 30, 2006**

**REVENUES:**

**Net Lottery Proceeds:**

	Lottery for Education Account Reserve	General Shortfall Reserve	Special Reserve	Programs Special Account Reserve	Total	For the Fiscal Year Ended June 30, 2005	For the Fiscal Year Ended June 30, 2004
First Quarter	55,028,160	-	555,840	-	55,584,000	51,314,000	
Second Quarter	71,501,760	-	722,240	-	72,224,000	57,219,000	
Third Quarter	68,886,180	-	695,820	-	69,582,000	50,000,000	63,774,000
Fourth Quarter	71,748,270	-	724,730	-	72,473,000	68,890,000	59,497,000
Subtotal Net Lottery Proceeds (Note 2)	267,164,370	-	2,698,630	-	269,863,000	227,423,000	123,271,000

**Unclaimed Prize \$ After School Pgms (Note 3)**

7,392,000      7,392,000      6,872,000      2,049,000

**Interest Earnings:**

First Quarter	1,970,351	-	29,458	59,131	2,058,940	369,284	
Second Quarter	2,328,208	-	39,806	87,437	2,455,451	367,157	
Third Quarter	2,895,361	-	51,018	90,631	3,037,009	751,639	
Fourth Quarter	2,329,362	-	43,123	57,708	2,430,193	1,680,613	146,595
Subtotal Interest Earnings	9,523,281	-	163,405	294,907	9,981,593	3,168,692	146,595

**Total Revenues**

276,687,651      -      2,862,035      7,686,907      287,236,593      237,463,692      125,466,595

**EXPENDITURES:**

**Scholarships (Note 4)**

First Quarter	47,162,949				47,162,949	29,081,287	
Second Quarter	22,501,717				22,501,717	18,336,152	
Third Quarter	55,291,539				55,291,539	43,171,389	
Fourth Quarter	11,917,689				11,917,689	2,873,725	-
Subtotal Scholarships	136,873,894				136,873,894	93,462,552	-

**Administrative Cost**

(TSAC through 4-30-06; THEC through 5-31-06)

2,492,957      2,492,957      4,259,614      1,135,879

**Pre-K Activities billed through 5-31-06**

15,465,606      15,465,606      -

**After School Pgms Special Account**

-      4,083,682      4,083,682      -

**Total Expenditures**

154,832,456      -      -      4,083,682      158,916,138      97,722,166      1,135,879

**FUND BALANCE:**

Beginning Fund Balance	201,557,780	50,000,000	3,552,811	8,961,650	264,072,241	124,330,715	-
Revenues	276,687,651	-	2,862,035	7,686,907	287,236,593	237,463,692	125,466,595
Expenditures	(154,832,456)	-	-	(4,083,682)	(158,916,138)	(97,722,166)	(1,135,879)
Ending Fund Balance	323,412,975	50,000,000	6,414,845	12,564,875	392,392,695	264,072,241	124,330,716

Note 1: This report is a reformatted version of a report prepared by the Tennessee Department of Finance and Administration

Note 2: Net lottery proceeds allocated 99% Lottery for Education Account and 1% Special Reserve

Note 3: These funds are received once a year at year-end. PA 2006, PC940, Section 2 increased the amount of the unclaimed prize money to be deposited in the after school programs special account at the end of each fiscal year from 50% to 100%. 50% deposits for 2004 and 2005 were based on estimates of unclaimed prize money. Based on actual unclaimed prizes, the deposits for these two fiscal years would have been approximately \$6 million less. The deposit of 100% of the actual unclaimed prize money at the close of 2006 has been reduced by the amount of the 2004 and 2005 deposits made in excess of 50% of actual unclaimed prize money.

Note 4: The amount of expenditures has been reduced for refunds collected of prior year scholarship expenditures.